

Message Text

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14-11

ACTION ARA-10

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FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 3927

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EO 11652: N/A

TAGS: EFIN, PN

SUBJ: PUBLIC FINANCE: CITICORP ARRANGING \$45 MILLION LOAN FOR
PANAMA

REF: PANAMA 3290, JUN 7, 1974

1. EMBASSY HAS LEARNED FROM SEVERAL BANKING SOURCES THAT CITICORP INTERNATIONAL BANK LTD. OF LONDON HAS AGAIN TAKEN LEAD IN ARRANGING A LOAN BY FOREIGN BANKS FOR GOP, IN AMOUNT OF \$40 TO \$45 MILLION. LATEST INFORMATION WE HAVE IS THAT LOAN WILL BE FOR LARGER AMOUNT, WITH \$43 MILLION ALREADY SUBSCRIBED. FINANCE MINISTER SANCHIZ IS EXPECTED TO TRAVEL TO EUROPE FOLLOWING IDB ANNUAL MEETING TO SIGN FORMAL LOAN AGREEMENT IN LONDON. CITICORP WAS ALSO INSTRUMENTAL IN ARRANGING SIMILAR \$36 MILLION LOAN OF JUNE 1974 (REFTEL) AND \$115 MILLION REFINANCING LOAN OF OCTOBER 1973.

2. LOAN TERMS REPORTEDLY ARE FIVE YEARS AT FLOATING RATE, ONE AND THREE-QUARTERS PERCENT OVER LONDON INTERBANK OFFERED. LOAN WOULD BE USED FOR FINANCING PROJECTS UNDER 1975 PUBLIC INVESTMENT PROGRAM AS FOLLOWS (FOR ORIGINAL TOTAL OF \$40 MILLION): \$7M, BAYANO PROJECT; \$9.5M AGRICULTURAL DEVELOPMENT; \$5M, EXPLORATION AND DEVELOPMENT COSTS, CERRO COLORADO; \$4.5M, MISC, GOP PROJECTS; \$14M, COUNTERPART FOR
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PROJECTS FINANCED BY INTERNATIONAL LENDING AGENCIES IN FIELDS OF

TRANSPORTATION, POWER, AGRICULTURE, EDUCATION, AND PUBLIC HEALTH.

3. WILLINGNESS OF GOP TO ACCEPT THESE TERMS, WHICH ARE STRICTER THAN FOR PREVIOUS LOANS MENTIONED ABOVE, WOULD COMPOUND DIFFICULTY WFC CORP. OF CORAL GABLES IS REPORTEDLY HAVING IN FULFILLING EARLIER COMMITMENT TO GOP TO PLACE \$10 MILLION LOAN AT TERMS OF 7 YEARS AND ONE AND ONE-HALF PERCENT OVER LONDON INTERBANK. PROCEEDS OF THIS LOAN WERE TO HELP FINANCE LA FORTUNA AND BAYANO POWER PROJECTS AND NEW AIRPORT CONSTRUCTION. AMERICAN EXPRESS INTERNATIONAL BANKING CORP. HAS BEEN MENTIONED AS A PARTNER IN WFC DEAL.

4. COMMENT: REPORTED ALLOCATION OF \$5 MILLION FOR PAYMENT OF CERRO COLORADO EXPLORATION COSTS IS OF PARTICULAR INTEREST, AS CANADIAN JAVELIN IS SAID TO HAVE CLAIMED EXPENSES OF A LEAST \$25 MILLION, NOT INCLUDING FAIR RETURN ON ITS INVESTMENT. JORDEN

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